

EXECUTIVE SUMMARY

DENEL

Denel is a state-owned company (SOC), which is the largest manufacturer of defence equipment in South Africa and operates in the military aerospace and landward defence environment. Denel is an important defence contractor in the domestic market and a key supplier to the South African National Defence Force (SANDF) both as original equipment manufacturer (OEM) and for the overhaul, maintenance, repair, refurbishment and upgrade of equipment in the SANDF's arsenal.

Denel reports to the Minister of Public Enterprises who appoints an independent board of directors to oversee an executive management team, managing the day-to-day operations. The executive management team also manages several business divisions and associated companies, including Denel Aeronautics, Denel Maritime, Pretoria Metal Pressings, Denel Dynamics, Denel Land Systems, Denel Vehicle Systems (Pty) Ltd and Denel Aerostructures SOC Ltd.

With the release of the #Guptaleaks in May 2017, the actions and good governance of the board of directors were brought into question, not only because of the Denel-Asia deal, but also because of the relationships between key decision makers and the Gupta family. OUTA explores the capturing of Denel in this submission and provides supporting evidence.

Before July 2015, Denel was led by a board of directors chaired by Riaz Saloojee. This board's direction resulted in a series of profitable years as set out in the second issue of a 2015 Denel-issued communique. Denel had good prospects for its future and an order book of more than R35 billion and the group CFO Fikile Mhlonto was nominated as Public CFO of the year.

With Denel performing optimally, why did former Minister of Public Enterprises, Lynne Brown, deem it fit to replace the board and interrupt what was obviously a competent board with good prospects for its future and accordingly that of our country?

This submission attempts to illustrate the rationale (or lack thereof) for the removal of an optimally operating board at the beginning of 2015, with the appointment of a questionable board chaired by Lugisani Daniel Mantsha. Other questionable appointments included

Nkopane “Sparks” Moketsi who, as treasurer of the MK Military Veterans Association, played a pivotal role in procuring Gupta donations.

The lack of experience and skills in the Brown-appointed board and the suspension of key executives were some of the reasons Denel could not fulfil its potential. These appointments also opened the door for the Guptas to capture this once-proud entity.